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From: William T Fujioka  
Chief Executive Officer

## SACRAMENTO UPDATE

### LEGISLATIVE ANALYST'S OFFICE ALTERNATIVE BUDGET: ESTIMATED IMPACT ON THE COUNTY

The Legislative Analyst's Office (LAO) released its annual analysis of the Governor's Proposed Budget in mid-February. In addition to its customary examination of the Governor's Proposals, the LAO developed an Alternative Budget composed of five elements. They are Deficit Financing Bonds (\$4.8 billion), Parole Realignment (\$495 million in State savings), expenditure reductions in K-14 education (\$4.7 billion), non-education expenditure reductions (\$2.2 billion), and revenues (\$2.6 billion).

The major differences between the LAO's proposed solution to the State Budget shortfall and those of the Governor are due in part to the LAO's forecast of a larger State Budget deficit. The solutions also differ because the LAO relies on targeted expenditure reductions rather than across-the-board cuts, includes revenues from either the elimination or limitation of the scope of certain tax expenditures while the Governor does not rely on revenues, a proposal for Parole Realignment instead of a 20-month early release program affecting 22,000 offenders in FY 2008-09 and 26,000 in FY 2009-10, and an alternative method of reducing education funding.

This memo is a follow-up report to our February 22, 2008 Sacramento Update on the LAO's Alternative Budget. It consists of estimates of the impact of those parts of the Alternative Budget recommendations affecting, 1) non-education expenditure reductions and 2) Parole Realignment. **The overall impact of the LAO's non-education expenditure reductions on the County is \$288.2 million, an increase of \$11.9 million above the \$276.3 million estimated impact of the Governor's Proposed Budget. The estimated impact of Parole Realignment on the Probation**

Department ranges from a positive \$30 million to a negative \$62 million. When estimates of the impact on other County departments are included, the overall County impact ranges from a negative \$77.5 million to a negative \$169.5 million.

### Impact of Recommendations for Non-Education Expenditure Reductions

Based on our analysis of the Governor's Proposed Budget and the LAO's Alternative Budget, the overall impact on the County of the non-education expenditure reductions is estimated to be a \$288.2 million loss, which represents an \$11.9 million increase from our estimated \$276.3 million loss resulting from the Governor's Budget proposals. The impact of the LAO's proposals is not substantially greater than the impact of the Governor's Proposed Budget on the County, and the largest impact falls on health, public safety, and social services. The effect of the LAO's recommendations would be to increase the amount of the reductions in these areas. These net changes and others affecting the County are shown in the following table. The potential impact of Parole Realignment is discussed in a separate section.

### **Net Change in Estimated Impact on the County from the LAO's Proposals**

<b>Affected Program</b>	<b>Governor's Budget Proposal</b>	<b>Legislative Analyst's Office Alternative Proposal</b>	<b>Variance</b>
<b>Health:</b>			
Medi-Cal Provider and Managed Care Rates	\$ -12.7 million	Rejected Proposal	\$ 12.7 million
Safety Net Care Pool Payments/South L.A. Preservation Fund	-24.4 million	-33.5 million	-9.1 million
<b>Public Safety:</b>			
Probation Camp Funding and Juvenile Justice Crime Prevention Act Consolidation	No Recommendation	-5.6 million	-5.6 million
Citizens Option for Public Safety Program Elimination	-1.0 million	-8.8 million	-7.8 million
<b>Social Services:</b>			
Medi-Cal Administration Reductions	-50.1 million	-59.6 million	-9.5 million
Child Welfare Services Reductions	-25.6 million	-12.2 million	13.4 million
Payments to Foster Care Provider Savings	18.2 million	8.0 million	-10.2 million
<b>Other:</b>			
Proposition 36/Offender Treatment Programs	-3.0 million	Rejected Proposal	3.0 million
Public Health State Funded Programs	-1.4 million	Rejected Proposal	1.4 million
Animal Care and Control Mandate Elimination	No Recommendation	-0.2 million	-0.2 million
Net Impact of the LAO's Alternative Budget Proposals			\$ -11.9 million
Previously Reported Impact of the Governor's Budget			\$ -276.3 million
<b>Overall Negative Impact on the County</b>			<b>\$ -288.2 million</b>

The net impact of \$11.9 million reflects the LAO's approach to the analysis of the Governor's Proposed Budget, in which the LAO accepted some of the Governor's recommendations and, in some instances it increased the amount of a reduction or proposed savings. In other cases, the LAO rejected the Governor's proposals altogether, or had no comment. **Those proposals where the LAO had no comment are not reflected in the net change column. They are included in our previously reported impact of the Governor's Budget.** In determining the overall impact of \$288.2 million, if the LAO accepted the Governor's recommendation on a specific item, that number is included in the estimated impact of the Governor's Proposed Budget. Attachment I provides a detailed summary of the LAO's recommendations and the potential impact on the County by program.

#### **Further Analysis, Advocacy Efforts/Pursuit of County Position on Budget Items**

While the LAO's proposals provide the Legislature with potential solutions to the State's Budget shortfall, some of the recommendations still lack sufficient specificity to determine the fiscal and programmatic effects on the County. As such, we plan to continue working with County departments and others to determine the overall impact on the County.

Based on general Board policy to seek restoration of State Budget reductions and other policies included in the State Legislative Agenda for FY 2007-08, **our Sacramento advocates will focus their efforts to seek restoration of the proposed reductions and mitigation of adverse proposals in health, public safety, and social services. In addition, our Sacramento advocates will continue to pursue restoration of reductions in other areas that affect the County and its residents.**

#### **Impact of Parole Realignment on the Probation Department**

One of the major components of the LAO's Alternate Budget is Parole Realignment, a \$495 million shift of over 71,000 lower level felons from State parole to county probation supervision.

The LAO believes that such a transfer would be appropriate because the new population of probationers is similar to those persons currently supervised by county probation departments, counties generally are more effective at supervising persons on release from custody, and counties have more of an interest in achieving positive results from the release of probationers into the community.

Shift of Lower Level Felons. The Probation Department estimates that the County would receive 28,000 probationers or about 39.2 percent of the Statewide total. Currently, the Department supervises approximately 62,000 adult probationers. Felons eligible for

transfer include those convicted of property and drug crimes. A list of the crimes committed by those subject to transfer is contained in Attachment II.

Funding. Funding would come from the transfer of property taxes from local water and waste special enterprise districts, a portion of Proposition 172 Public Safety Augmentation Fund sales taxes, and a share of Vehicle License Fees (VLF) currently used to support the Department of Motor Vehicles. Attachment II provides more detail on funding sources.

Mandate Considerations. The realignment of parole supervision would place additional responsibilities on the counties. It is not clear whether this would constitute a reimbursable State mandate. Attachment II provides additional detail on mandate considerations.

Estimated Impact. Estimates of County impact are particularly dependent on the details of program implementation including how the funds are to be allocated, whether they will increase over time, how and when the transfers will occur, and the types and costs of services that are to be provided to this new population. **The Parole Realignment proposal is lacking in this kind of detail.** We expect more detailed information to become available during the legislative process.

#### **Estimated Impact on the Probation Department**

##### Revenues

Property Tax Transfer	\$ 59.9 million
Proposition 172 Sales Tax Transfer	\$ 41.7 million
VLF Fund Transfer	<u>\$ 30.4 million to \$ 49.4 million</u>
Total	\$132.0 million to \$151 million

##### Expenditures

Treatment and Services	\$ 98.0 million to \$140 million
Additional supervision	<u>\$ 23.0 million to \$ 54 million</u>
Total	\$121.0 million to \$194 million

If it is assumed that the Probation Department will receive the maximum amount of \$151 million in revenues and will be able to provide treatment, services, and additional supervision at the lowest cost of \$121 million, the impact will be a positive \$30 million. Conversely, if the cost for treatment, services and supervision is assumed to be \$194 million and revenues only reach \$132 million, then expenditures would exceed revenues by a negative \$62 million. **Thus, the impact on the Probation Department could range from a positive \$30 million to a negative \$62 million.**

Other Departments. These estimates do not take into account potentially increased costs to the Sheriff, District Attorney, the Public Defender, and the Alternate Public Defender. The impact on these departments could increase County costs by at least an

additional \$107.5 million based on information provided by the Alternate Public Defender, the Public Defender, and the District Attorney. These estimates do not include potential costs to the Department of Mental Health and the Department of Health Services for treatment and services. Factors affecting other departments are discussed in Attachment III.

#### Estimated Impact on Other Departments

Alternate Public Defender	\$ -2.5 million
Public Defender	\$ -25.0 million
District Attorney	\$ -80.0 million
Sheriff	<u>Unknown</u>
Total	\$ -107.5 million

If this negative \$107.5 million is added to the Probation Department estimate cited above, the estimated positive \$30 million impact becomes a negative \$77.5 million. If, however, the same negative \$107.5 million figure is added to the negative \$62 million estimate for the Probation Department, then the overall County impact increases to a negative \$169.5 million. **Therefore, the overall estimated impact on the County of the Parole Realignment Proposal ranges from a negative \$77.5 million to a negative \$169.5 million. These losses may be even larger when we have an estimate of the impact on the Sheriff's operations and infrastructure.**

The Probation Department indicates that the LAO's plan is far more preferable than the Governor's proposal for a 20-month early release of 22,000 offenders in FY 2008-09 and 26,000 in FY 2009-10, who do not have violent or serious or certain sex crimes on their records. Probation concurs with the LAO that counties are more effective than the State at supervising persons on release from custody, have more of an interest in achieving positive results from the release of probationers into the community. The Department indicates that a realignment of resources affords an incentive to offer criminal offenders treatment and rehabilitation services at the local level as opposed to incarceration and enforcement of parole conditions.

The Probation Department is concerned, however, that the transfer of revenues reflects only the State's cost of supervising these lower level felons and does not include funding for such services as: 1) substance abuse treatment; 2) mental health services; 3) medical services 4) education services; 5) housing assistance; and 6) job training services. At this time County departments have not determined the cost of these services. According to the Probation Department, the State is estimated to provide \$3,500 to \$5,000 in services per parolee annually. If the County were to provide a similar level of services for 28,000 probationers, it would increase County costs by \$98 million to \$140 million annually without offsetting State revenues. The Probation Department is also concerned about coordination of re-entry planning, the need for re-entry infrastructure, funding uncertainty, additional personnel needs, and the timeline

to implement parole realignment successfully. Information on these additional concerns is provided in Attachment III.

### **Further Analysis Necessary, and Advocacy**

As more detailed information becomes available during the legislative process, we will continue to work with affected County departments to assess the impact of the proposal.

We recognize the merits of the general concept of parole realignment. The plan for implementation requires further development and communication between the State and counties. The Probation Department indicates that it can eventually provide better services at the local level. This will require thorough and careful planning in collaboration with the State. It also will necessitate a gradual transition over an extended timeframe to ensure that the process maximizes community public safety.

Parole Realignment is under serious discussion in Sacramento and it was recently the subject of extensive discussions in recent separate hearings before the Senate and Assembly Subcommittees on State Administration. **Therefore, our Sacramento advocates will work with affected departments, mutual interest associations and other entities to pursue a proposal that is fiscally viable and provides operational safeguards.**

We will continue to keep you advised.

WTF:GK  
MAL:MR:IGA:hg

### **Attachments**

c: All Department Heads  
Legislative Strategist  
Local 721  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association  
League of California Cities  
City Managers Associations  
Buddy Program Participants

**Summary of LAO Budget Recommendations that Impact the County**

**HEALTH**

**Medi-Cal Provider and Managed Care Rates.** The LAO recommends that the Legislature reject the Governor's Budget proposal to reduce Medi-Cal provider rates for all providers except hospitals because they might reduce patient access to care or cause patients to obtain care through other more costly means, such as emergency rooms. The LAO indicates that physicians have not received rate increases since FY 2000-01, while Medi-Cal rates are adjusted annually for some providers. Hospitals that contract to provide Medi-Cal services received rate increases averaging 4.7 percent annually between 2000 and 2006. The LAO also notes that the Medi-Cal Waiver is estimated to provide increased payments of hundreds of millions of dollars annually to the largest public hospitals in the State. Instead, the LAO suggests that the Legislature consider ways to implement rate reductions that would least disrupt the provision of services rather than reducing rates by 10 percent across-the-board.

The Department of Health Services (DHS) indicates that the LAO's recommendation to reject the Governor's proposed Medi-Cal rate reductions would eliminate the potential loss of \$11.14 million for County outpatient services reimbursed by Cost Based Reimbursement Clinics payments, and the loss of \$1.6 million for County directly operated health facilities.

**Federal Safety Net Care Pool Payments (SNCP) and South L.A. Preservation Fund.** The LAO recommends adoption of the Governor's Budget proposal to shift \$54.2 million in FY 2008-09 of SNCP and South L.A. Preservation Fund payments from designated public hospitals to portions of the California Children's Services (CCS), Genetically Handicapped Persons, Medically Indigent Adult Long-Term Care, and Breast and Cervical Cancer Treatment programs, which are eligible for these funds. This shift would allow a corresponding reduction in the State General Fund spending for these programs. The impact of the Governor's proposal on the County is estimated to be a \$24.4 million loss.

The LAO recommended a shift of an additional \$20.1 million from the SNCP to fund \$11.1 million from the Expanded Access to Primary Care Program and \$9.0 million from four grant programs that target clinics for migratory workers, rural health services, Indian health, and grants in aid. Although previously asserting that no amendments to the Federal Medi-Cal waiver would be needed to obtain the recommended savings from the proposed shift of SNCP funds, the LAO now acknowledges that amendments to the existing waiver language would be required.

DHS estimates that the LAO's recommendation would increase the impact on the County from the Governor's Budget proposal of a \$24.4 million loss to an estimated \$33.5 million loss. This funding reduction will result in a loss of over 90,000 outpatient visits.

The proposed reductions to SNCP and South L.A. Preservation funding, and Medi-Cal Provider and Managed Care rates would impact the financial stability of the County health system which provides access to services to the most vulnerable and needy County residents. In addition, the Department of Health Services' projected budget deficit of \$290 million in FY 2008-09, combined with the potential \$240 million impact from the implementation of certain Federal Medicaid Regulations, would further imperil the fiscal viability of the County's health system.

## **JUSTICE AND PUBLIC SAFETY**

As part of the FY 2007-08 State Budget process, the Governor and the Legislature approved a Juvenile Justice Reform package to retain certain juvenile offenders at the local level to improve the prospects for rehabilitation, reduce recidivism, and decrease transition into adult facilities. However, the proposed funding reductions to juvenile justice programs and probation camps could jeopardize the intent of these reforms. The proposed reductions to jail construction, local law enforcement and district attorney activities, combined with the President's proposal to reduce public safety funding by \$33.7 million in FFY 2009 could also have a major impact on County programs and operations.

**Juvenile Probation Camp Funding and Juvenile Justice Crime Prevention Act (JJCPA) Program Consolidation.** The LAO proposes to consolidate the JJCPA Program with \$304 million in funding. This level represents a total Statewide reduction in funding for the combined grants of five percent. The LAO attributes the anticipated savings to increased administrative efficiencies. The consolidation is proposed because the LAO considers funding for JJCPA to duplicate funding for juvenile probation camps. The JJCPA grant addresses the problems of at-risk juveniles in the County and provides more flexibility in funding as compared with the probation camp funds. The Probation Department advises that they do not believe there would be any savings resulting from the combination of the two grants, and therefore, the LAO recommendation would result in a net reduction of approximately \$5.6 million to the County.

**Citizens' Option for Public Safety (COPS).** The LAO proposes the elimination of the COPS Program which provides State funding to counties and cities on a population basis to augment primarily local funds for district attorneys, county jail construction and operations, and front-line law enforcement. According to the LAO, the COPS Program lacks goals and performance measures, and since there are no program evaluations by which to judge the program, its impact on public safety is unknown. This proposal would result in a Statewide General Fund savings of \$119 million. If approved, this

proposal would result in a \$8.8 million loss of funding to the County. In addition, cities within the County would lose an estimated \$20.5 million.

**Reclassification of Crimes (Wobblers).** Under current law, a number of crimes may be prosecuted as either a misdemeanor or a felony. The LAO proposes that a number of these wobbler crimes be reclassified as misdemeanors only. The crimes selected are relatively minor drug and property crimes. The LAO estimates that this would affect slightly over 31,000 persons Statewide. Assuming that persons convicted of the felony would be convicted of the misdemeanor under the LAO's plan, and that the County would be responsible for 32 percent of these Statewide criminal cases, it would be responsible for incarcerating about 10,000 persons in the first year. According to the Sheriff's Department, the County would need to construct additional jail beds to house the newly convicted persons.

## **SOCIAL SERVICES**

The proposed reductions in such areas as Medi-Cal Administration would affect the County's ability to conduct outreach efforts to determine the eligibility of low-income families and children in the Medi-Cal and Healthy Families programs. Reductions in Medi-Cal participation increase the need for indigent services placing an additional burden on a health system which is already chronically underfunded. Other reductions in Child Welfare Services Administration and the CalWORKs Program will affect the well-being of children who are abused or neglected, and families that rely on assistance and County services.

**Medi-Cal Administration.** The LAO supports the Governor's Budget proposal to eliminate the County cost-of-doing-business (CODB) adjustment and revises the estimated savings from \$22.0 million to \$32.3 million for a total reduction of \$64.6 million in combined State and Federal funds. This would result in an estimated loss of \$19.4 million to the County in State and Federal funds, an increase in the net loss of \$5.9 million from the Governor's proposal.

The LAO further recommends that the Legislature reduce funding for County administration of the Federal Deficit Reduction Act (DRA) of 2005 citizenship verification requirements for State General Funds savings of \$6.0 million. This would result in an estimated County loss of \$3.6 million in combined State and Federal funds. The proposed reduction will hurt the Department of Public Social Services' (DPSS) efforts to implement the new Federal citizenship verification requirements, erode the Department's ability to process applicant eligibility and perform re-determinations without delays, and reduce DPSS' ability to meet State eligibility performance standards.

Overall, the LAO's recommendation to support the Administration's proposal to eliminate the Medi-Cal CODB adjustment with revised cost savings, and to reduce county administration funding for the DRA citizenship verification requirements would

increase the estimated loss to the County from the Governor's Budget proposal of \$50.1 million to an estimated \$59.6 million.

**Child Welfare Services (CWS) Administration.** The LAO recommends three alternatives to the Governor's Budget proposal to reduce CWS Administration by \$129.6 million Statewide which would result in an estimated \$25.6 million loss to the County. The proposed alternatives include: 1) holding the number of county caseworkers at the prior year level when caseloads decline ("hold harmless"). This would result in an estimated loss of \$2.9 million to the County; 2) holding the cost per social worker at \$155,000. This recommendation would have no impact to the County; and 3) implementing a smaller across-the-board administrative reduction in conjunction with the "hold harmless" and cap on social worker costs. This would result in an estimated reduction of \$9.3 million to the County. The combined impact on the County from the proposals is estimated to be a \$12.2 million loss.

**Payments to Foster Care Providers.** The LAO recommends that the Legislature rescind the five percent rate increase in foster care providers which took effect on January 1, 2008, and further recommends reducing the Foster Family Agency rate by five percent which would result in an estimated reduction in County expenditures of \$8.0 million.

**CalWORKs.** The LAO does not recommend adoption of the Governor's Budget proposals to reduce CalWORKs benefits for an estimated State General Fund savings of \$389.1 million by imposing a graduated full-family sanction when the adult does not comply with the welfare to work requirements, eliminating the child-only portion of the CalWORKs grant when the able-bodied adult reaches the 60-month time limit and does not meet the Federal work participation requirements and when the parent or caretaker is an undocumented non-citizen, a convicted drug felon or a fleeing felon. The estimated impact on the County from the Governor's proposal is a \$113 million loss.

The LAO recommends instead that the Legislature consider the following options:

- **Pre-assistance Employment Readiness System.** Each family applying for services would receive services for up to 120 days to help them to become employed or complete a Welfare-to-Work Plan. After 120 days, families who meet one of these requirements or who show they are exempt, or have good cause from not meeting the requirements, would enter CalWORKs. If these requirements are not met, the family, including the children, would not receive CalWORKs assistance. Eligibility to aid could be re-established if the adult signs a Welfare-to-Work Plan.
- **Community Service After Five Years of CalWORKs Assistance.** The LAO recommends that the Legislature consider requiring adults who have reached the CalWORKs 60-month time limit to work in non-subsidized employment for 20 hours per week; participate for sufficient hours to meet Federal participation requirements, or accept a subsidized employment or community service job for

20 hours per week as a condition on receiving CalWORKs child-only cash benefits. This proposal would require adults to participate in job club/job search activities one month for every three months of community services or subsidized employment. After three community service and job club/job search cycles, counties could exempt the adult from participation and aid the children. Adults who refuse to participate in any of these activities for 20 hours per week would have a home visit from the county to determine if they need other assistance or should be exempt. Counties would apply a full-family sanction if the adult is determined able to participate and continues to refuse, thereby terminating aid for the children as well as the adult.

A major concern with both of the LAO alternative proposals is that some children would lose their CalWORKs cash assistance if the adult does not comply with the work requirements. At the same time, there are some positive aspects to both proposals that warrant consideration and discussion as part of the State Budget process. The proposals may help move families into work and increase work participation rates. Further analysis is necessary to determine the impact of these proposals to the County.

**Medi-Cal Eligibility Determination.** The LAO also proposes to centralize the Medi-Cal eligibility process with a single vendor at the State level for an estimated State General Fund savings of \$75 million effective FY 2009-10. The LAO's savings estimate is based on the assumption that a centralized system would expedite processing of applications and that increased efficiencies could be achieved by limiting computer programming costs to only one system instead of multiple county systems across the State. The LAO's proposal is similar to one included in the Governor's 2004 California Performance Review Commission which proposed centralization of eligibility at the State level for multiple social service programs. The Medi-Cal eligibility determination process is highly complex with rules that have not been updated in almost two decades with 122 separate eligibility aid codes. This proposal would be a radical transformation that could disrupt access to Medi-Cal services for many people, shift costs to other programs including General Relief, and result in the loss of thousands of County staff jobs.

**In-Home Supportive Services (IHSS).** The LAO proposes an alternative approach to the Governor's Budget proposal to reduce IHSS domestic services by 18 percent for an estimated State General Fund savings of \$109.4 million, which would result in an estimated net County cost savings of \$23.0 million. The LAO recommends that the Legislature consider the following options to the Governor's proposal: 1) cap hours for certain IHSS domestic services and prohibit exceptions; 2) establish differential hours for recipients who live with a family member and those who live alone; and 3) enact legislation before FY 2010-11 to establish tiered reimbursement rates for IHSS providers based on training, experience and willingness to undergo a criminal background check.

Since the LAO does not indicate if this proposal would impose additional costs on counties or the State, and does not include any cost savings in their Alternative Budget, further analysis of this proposal is needed once details are available.

**Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) System.** The LAO recommends enactment of legislation which sets a goal to reduce the number of consortia from four to two systems. While the LAO recommendation suggests establishing a goal of ultimately moving all counties into one of two consortia systems to produce efficiencies and reduce system support costs, the recommendation does not provide any specifics. At this time, there is not sufficient detail to assess the LAO's recommendation or to determine its impact on the County.

## **PUBLIC HEALTH**

**Proposition 36.** The LAO recommends that the Legislature reject the Governor's Budget proposal to reduce the Proposition 36 Program by \$10 million in FY 2008-09, and instead proposes to fund this program at the 2007 Budget Act level. The Administration's proposal does not change the sentencing law requirement under Proposition 36. The LAO indicates that the Governor's proposal is likely to result in offsetting increases in State criminal justice system and child welfare services costs. The LAO also recommends that the Legislature consider alternative funding sources for Proposition 36 including: 1) redirecting advertising funds from the California Methamphetamine Initiative, and 2) using a portion of proceeds from State and Federal narcotic asset forfeitures.

The estimated impact on the County from Governor's proposal is \$2.6 million in FY 2008-09. According to the County Department of Public Health (DPH), many of the State's drug treatment services including Proposition 36 and drug courts have proven to reduce costs in other State programs, such as the California Department of Corrections and Rehabilitation, and that cuts to these programs are not cost-effective.

**Other State-Funded Programs/Drug Court Funding.** The LAO recommends that the Legislature reject the Governor's proposal to reduce Drug Court funding, and instead fund the program at the FY 2007-08 Budget Act level. The estimated impact on the County is a \$643,000 loss. The LAO indicates that the Governor's proposal to reduce county drug court funding is likely to result in offsetting increases in the State criminal justice system and child welfare services costs, including State prison expenditures. As an alternative, the LAO further recommends that the Legislature consider other funding sources for county drug courts including: 1) redirecting advertising funds from the California Methamphetamine Initiative, and 2) using a portion of proceeds from State and Federal narcotic asset forfeitures.

DPH concurs with the LAO that many of the State's drug treatment services including drug courts have proven to reduce costs in other State programs, such as the California Department of Corrections and Rehabilitation, and that the Governor's proposed cuts to this program are not cost-effective.

## **GENERAL GOVERNMENT**

**Animal Care and Control.** The LAO proposes to repeal the animal adoption mandate, (Chapter 752, Statutes of 1998) regarding shelter care for stray and abandoned animals. This item was not addressed in the Governor's Proposed Budget. According to the LAO, this would eliminate the State's obligation to reimburse local governments for the increased cost of caring for animals they euthanize. The County's Department of Animal Care and Control indicates that the elimination of this mandate would result in additional County expenditures because it would have to provide additional shelter days without State reimbursement. The estimated cost to the County is \$180,000.

**Subventions for Open Space Act.** The LAO supports the Governor's Budget proposal to reduce the Subventions for Open Space Act (Williamson Act) Tax Relief Program by \$3.9 million in FY 2008-09. This program authorizes any city or county to enter into a contract with the owner of agricultural land for the purpose of preserving that land in accordance with the conditions established by the Act. In addition, the LAO recommends phasing out all subventions for open space and recommends that the Legislature enact legislation to stop the State from renewing or entering into new Williamson Act contracts. While this proposal affects rural counties primarily, the impact to the County will increase from a \$4,000 loss to approximately \$40,000 as a result of the LAO's recommendation.

**State Mandated Local Programs.** As part of the Special Session to address the State's fiscal emergency, the Legislature approved the Governor's Budget proposal to eliminate payments to local governments for their FY 2007-08 estimated cost claims, for a one-time savings of \$75 million in the budget year. Instead, local governments would submit actual costs claims. The State Controller's Office (SCO) will now review the actual costs claims and report them to the Administration and Legislature for inclusion in the upcoming budget.

The LAO did not make a recommendation on this issue, but they pointed out that deferring mandate payments for one additional year would enable the SCO to avoid reviewing and filing each local government's annual claim twice, and therefore, the benefit of the Governor's proposal would outweigh the loss to local governments from the deferral of claim reimbursement. The County's Auditor-Controller indicates that this proposal might be a circumvention of Proposition 1A of 2004, the Protection of Local Government Revenues Act. The enactment of this proposal will result in the deferral of an estimated \$31.6 million in FY 2007-08 mandate claim reimbursement to be reimbursed in FY 2009-10.

## **OVERVIEW OF MAJOR PROGRAM COMPONENTS FOR PAROLE REALIGNMENT**

### **Eligibility For Transfer To County Probation Supervision**

Lower level felons, generally those convicted of property and drug crimes would be eligible to be transferred to probation supervision. Persons convicted of sex offenses would be excluded.

The eligible offenders include those convicted of:

- Second degree burglary
- Vehicle theft
- Petty theft with a prior theft
- Receiving stolen property
- Forgery/fraud
- Grand theft
- Drug possession
- Drug possession for sale
- Marijuana possession for sale
- Marijuana sales
- Hashish possession
- Driving under the influence

### **Program Funding**

The LAO proposes to finance parole realignment through a redirection of three funding sources. They involve shifts of: 1) property taxes from water and waste special enterprise districts; 2) six percent of sales tax revenues collected under Proposition 172, the Public Safety Augmentation Fund; and 3) a portion of Motor Vehicle License Fees (VLF) which support the administrative expenses of the Department of Motor Vehicles (DMV).

At the Statewide level, a State Public Safety Realignment Account (SPSRA) would be used to collect funds for this purpose. At the local level, a Public Safety Realignment Account (PSRA) would be created to collect locally derived revenues and to hold funds transferred from the State.

Water and Waste Special Enterprise Districts Property Tax Transfer. The LAO estimates that \$188 million of the property taxes from water and waste special enterprise districts could be transferred to the PSRA. This represents approximately

70 percent of the available property taxes received by these districts. Property taxes raised to liquidate indebtedness would not be subject to transfer. For Los Angeles County, there are six waste and water special enterprise districts receiving \$85.5 million of non-debt related property taxes annually. A transfer of 70 percent of those property tax revenues to the PSRA would provide \$59.9 million in support of the program.

Proposition 172. The LAO estimates that the transfer of six percent of Proposition 172 sales taxes would generate \$178 million Statewide, an amount that is approximately equal to the amount of funds received by the cities. Funds collected from this source would be deposited in the SPSRA and transferred to the PSRA at the local level. While the LAO acknowledges that cities may be concerned about the loss of sales taxes, they note that cities have generally improved their fiscal condition over the past ten years.

Vehicle License Fees. The third part of the funding for parole realignment comes from the VLF used in support of the DMV. The DMV has maintained its administrative charges as if the VLF rate had never been reduced from 2 percent to 0.65 percent. A reduction of \$130 million would bring the VLF contribution to DMV in line with the current VLF rate. The LAO suggests that a \$4 increase in vehicle registration fees could provide the State with offsetting revenues if needed.

### **Mandate Considerations**

In order to reduce the likelihood of a successful mandate claim, the LAO recommends the following alternatives: 1) require county boards of supervisors to adopt a resolution supporting realignment as a measure requested by local government; 2) place a measure on the June or November 2008 ballot asking the voters to approve the realignment; or 3) amend the Government Code to specify that additional tax revenues allocated to government shall be considered offsetting revenue when considering a mandate. **These alternatives would eliminate the County's ability to claim reimbursement for this mandate.**

**PAROLE REALIGNMENT  
ADDITIONAL CONCERNS AND FACTORS AFFECTING COUNTY DEPARTMENTS**

**Coordination of Re-entry Planning**

The Department and the State will need to develop a re-entry plan for the transition of parolees to local jurisdiction. This plan must include a protocol for the dissemination of all pertinent information that minimally includes risk/needs assessments, behavioral history while in custody, mental health history/evaluations, and discharge planning or goals.

**Re-entry Infrastructure**

The Probation Department does not have an existing infrastructure to accommodate adult community re-entry programs. The development of re-entry programs would involve the initiation and expansion of collaborations and contracts with Community Based Organizations (CBOs) for services such as housing, counseling, vocational and educational training, and other pertinent services. The current capacity of these CBOs is uncertain. Realignment also would require the training of all Adult Deputy Probation Officers in the unique supervision aspects of this population. Also, other stakeholders, such as the Courts, the District Attorney's Office, the Public Defender's Office, and the Sheriff would need to be collaborative partners to ensure success and public safety.

**Funding Uncertainty**

Continued ongoing funding to re-integrate low level parolees has not been guaranteed by the State. Any expansion of services and responsibilities must be accompanied by permanent ongoing indexed funding that provides for sufficient program/service continuity.

The LAO's proposal does not identify an allocation methodology for the parole realignment funds, however, there are at least two possible approaches: 1) by total county population; or 2) by the number of parolees returning to the county. An allocation of funds based on total county population could yield up to \$132 million a year to the County. An allocation based on the number of parolees returning to the county would more closely match the level of funding to the additional workload imposed on counties. Under this formula, the County could receive up to \$151 million, annually.

Allocation of funds should not be based solely on population, but must take into consideration the number of parolees being released to any given jurisdiction. Los Angeles County represents approximately 28 percent of the total population of the State of California. If the number of parolees released into Los Angeles County is not commensurate with necessary funding, the parolees would need to be placed within higher caseloads, resulting in less supervision, reduced effectiveness of services, and a potential reduction in relative community safety.

While this proposal would increase caseload by approximately 45 percent, the new population is likely to cost the County more per capita than the existing population. According to the Probation Department, in general, the new probationers have been convicted of higher level crimes. The higher level crime assumes a higher level of risk to the community which will require higher levels of oversight and treatment while they are on probation. In addition, proposed probationers have spent more time in custody than those under current probation and they may require more of an adjustment to successfully integrate into society. These two factors are expected to increase the costs for the new probationers. Notwithstanding, the Probation Department has provided a preliminary estimate of the additional costs for probation supervision at \$23 million to \$54 million. This would require the hiring of approximately 266 additional staff.

### **Personnel Impact**

The Department will need time to recruit, hire, and train additional staff needed to implement this realignment. The Department is currently experiencing shortfalls in deployment of new staff due to the necessarily stringent hiring processes for peace officer positions.

### **Timeline**

The transition timeline for such a monumental realignment in responsibilities would require two to three years to successfully implement and would demand a complex collaborative effort from the State and County, and the engagement of community resources with an unknown capacity to meet the needs of parolees.

### **Other Probation Issues**

The total impact (fiscal and operational) of the proposed transfer of parolee supervision to the local level is unknown due to the limited scope of information and detail provided. There are numerous questions that remain unanswered such as: how many parolees will be released annually after the initial transition of the estimated 28,000. What is the duration of their supervision? How will local detention centers be compensated for incarcerating parole violator and at what rate? There is no indication whether parolees released under this proposal are one or two strike offenders. Two strike offenders are legally ineligible for probation supervision.

### **Factors Affecting Other Departments**

Parole realignment will increase workload for the Sheriff, District Attorney (DA), Public Defender (PD) and Alternate Public Defender (APD). At this time we do not have any estimates of the costs from the Sheriff, or Public Defender. The APD estimates that it will handle 1,600 to 1,800 additional new violation cases in addition to an undetermined number of returned parolees. This would require the hiring of additional staff at an annual cost of \$2.5 million. The PD estimates an additional workload of 16,000 clients. Based on the costs for APD, the additional costs for the PD would be approximately \$25 million. The DA estimates an additional 25,000 cases at an annual cost of \$80 million.